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Message Text

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C O N F I D E N T I A L STATE 190784

FOR: THE HONORABLE ARTHUR F. BURNS, CHAIRMAN
FEDERAL RESERVE BOARD, HOTEL INTERCONTINENTAL

ATTORNEY GENERAL RICHARDSON SAID TODAY THE JUSTICE DEPARTMENT WILL PRESENT ALLEGATIONS AGAINST VICE PRESIDENT AGNEW TO A FEDERAL GRAND JURY ON THURSDAY, SEPTEMBER 27. RICHARDSON SAID THAT HE MADE THE DECISION AFTER NEGOTIATIONS BETWEEN JUSTICE DEPARTMENT OFFICIALS AND AGNEW'S ATTORNEYS FAILED TO RESOLVE "PROBLEMS WHICH MIGHT...RESULT IN A CONSTITUTIONAL DILEMMA OF POTENTIALLY SERIOUS CONSEQUENCE TO THE NATION." THE ATTORNEY GENRAL DISCLOSED HIS ACTIONS A FEW HOURS AFTER MEETING WITH PRESIDENT NIXON. MR. NIXON LATER MET PRIVATELY WITH MR. AGNEW. THE LATTER'S OFFICE FLATLY DENIED TODAY THAT THE VICE PRESIDENT WOULD RESIGN.

MR. CARDON HAS NEGOTIATED AN UNDERSTANDING WITH SENATOR MCINTYRE'S SUBCOMMITTEE ON FINANCIAL INSTITUTIONS ALLOWING GOVERNOR HOLLAND TO TESTIFY FOR THE FEDERAL RESERVE IN YOUR STEAD. THE HEARINGS ARE SCHEDULED FOR COTOBER 15 THROUGH 17. THE FEDERAL HOME LOAN BANK BOARD HAS REPORTED A NET OUTFLOW OF $1.2 BILLION FROM SAVINGS AND LOAN ASSOCIATIONS IN AUGUST, THE THIRD LARGEST MONTHLY OUTFLOW ON RECORD. TOTAL SAVINGS CAPITAL AT THE ASSOCIATIONS AMOUNTED TO ABOUT $222 BILLION AT THE END OF JUNE.
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DEPARTMENT OF STATE HAS FORWARDED A WIRE OUTLINING YOUR SCHEDULE IN NIGERIA. THE WIRE IDENTIFIED AS LAGOS 7661, CAN BE RESENT IF IT HAS NOT REACHED YOU.

THE CENSUS COMPOSITE INDEX OF LEADING INDICATORS ROSE 1.2 PER CENT IN AUGUST, FOLLOWING GAINS OF O.6 PER CENT IN JULY AND 1.0 PER CENT IN JUNE. THE COINCIDENT AND LAGGING INDICATORS ALSO ROSE. THE DEFLATED COINCIDENT INDICATOR WAS UNCHANGED. AUTO PR7:589, 8 :#3$7)3$ -5 993,000 UNITS, NOT SEASONALLY ADJUSTED, FOR OCTOBER ACCORDING TO TRADE REPORTS. THIS RATE OF PRODUCTION WOULD AMOUNT TO A SEASONALLY ADJUSTED ANNUAL RATE OF 9.9 MILLION UNITS, UP FROM 9.1 MILLION RATES IN SEPTEMBER 1973 AND OCTOBER 1972.

DOMESTIC FINANCIAL MARKETS HAD A FIRM TONE AGAIN TODAY, BUT PRICE GAINS WERE MORE MODERATE THAN IN SOME RECENT TRADING SESSIONS. THE 3-MONTH TREASURY BILL CLOSED AT 7.20 PER CENT, DOWN FROM A HIGH OF 9.05 PER CENT IN MID-AUGUST AND 8.70 PER CENT AT THE TIME OF THE SEPTEMBER 18 MEETING. FEDERAL FUNDS TRADED IN A 10-3/8 TO 10 3/4 PERCENT RANGE TODAY, WITH THE EFFECTIVE RATE SET AT ABOUT 10-5/8 PER CENT. THE DESK SOLD A MODERATE AMOUNT OF BILLS DIRECTLY TO FOREIGN OFFICIAL ACCOUNTS. STOCK PRICES AGAIN CLOSED HIGHER DESPITE SOME EARLY PROFIT-TAKING. THE DOW JONES INDUSTRIALS ROSE NEARLY 4 POINTS IN VERY ACTIVE TRADING.

FOREIGN EXCHANGE MARKETS WERE QUIET TODAY. THE DOLLAR WAS UNCHANGED ON BALANCE AGAINST CONTINENTAL EUROPEAN CURRENCIES AND WEAKENED SLIGHTLY AGAINST THE POUND AND CANADIAN DOLLAR. THE ONLY MAJOR FOREIGN CENTRAL BANK TO INTERVENE TODAY WAS THE BANK OF JAPAN WHICH SOLD $47 MILLION.

CROSS-RATES OF THE EUROPEAN NARROW BAND CURRENCIES WERE ALL WELL WITHIN THEIR 2-1/4 PER CENT FLUCTUATION MARGINS. THE FRENCH FRANC MOVED TO THE UPPER HALF OF THE BAND. GERMANY AND THE NETHERLANDS BOTH ANNOUNCED INCREASED AUGUST BALANCE OF TRADE SURPLUSES TODAY. THE GERMAN SURPLUS FOR THE MONTH WAS A RECORD 3.2 BILLION MARKS.

EURO-DOLLAR RATES CONTINUED TO EASE TODAY.
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GOLD WAS DOWN $.75 TO $101.75.

AUGUST MERCHANDIZE TRADE ON A BALANCE OF PAYMENTS BASIS SHOWED A DEFICIT OF $1.1 BILLION COMPARED TO A REVISED SURPLUS OF $1.0 BILLION IN JULY. AUGUST EXPORTS TOTALED $71.7 BILLION, SEASONALLY ADJUSTED ANNUAL RATE, UP 2-1/2 PER CENT FROM JULY. AGRICURAL EXPORTS ROSE 20 PER CENT, WITH VIRTUALLY ALL OF

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THE INCREASED ACCOUNTED FOR BY WHEAT AND CORN. NONAGRICULTURAL
EXPORTS CHANGED LITTLE IN AUGUST. IMPORTS DURING THE MONTH
TOTALED $72.8 BILLION, SEASONALLY ADJUSTED ANNUAL RATE, U
5-1/2 PER CENT FROM JULY. FUELD IMPORTS ACCOUNTED FOR ABOUT
2/3 OF THE INCREASE, ALMOST ALL OF WHICH WAS DUE TO A HIGHER
VOLUME. THE RISE IN NONFUEL IMPORTS REFLECTED HIGHER PRICES.
THE TREASURY HAS ISSUED THE REVISED VERSION OF ITS HUNT
COMMISSION RECOMMENDATIONS.
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